

Public Debt /Franchise Accts

Performance Plans for FY2002 and FY2003

Actual Performance Figures are in **bold**, Final Targets are in plain text, and Proposed Targets are *italicized*.
Targets which were not met are shown in red.

Mission: The Treasury Franchise Fund (Fund) is an entrepreneurial governmental enterprise established to provide to other components within Treasury and/or agencies common administrative support services on a competitive and fully cost-reimbursable basis.

Budget Activity: Franchise Fund

Function: The Fund currently consists of eleven business activities
--The Center for Applied Financial Management (Center); the Federal Quality Consulting Group (FQCG); Bureau of the Public Debt - Administrative Resource Center (ARC); Inspector General Auditor Training Institute (IGATI); and seven former Cooperative Administrative Support Units (CASUs) now operating as independent Treasury Franchise Business Activities (FBAs).

Performance Goal:

Ensure Business Activities are Self-Sufficient

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Total revenue equals or exceeds total expenses for each franchise operation for each fiscal year	Met	Met	Met	Met	<i>Met</i>
<hr/>					
View Definition and Validation					
Current ratio (current assets divided by current liabilities)	1.4	1.5 View Explanation	1.3 View Explanation	1.5	<i>1.5</i>
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View Definition and Validation					
Unqualified Annual Financial Statement audit opinion from independent external auditors	Met	Met	Met	Met	<i>Met</i>

Performance Goal:

Ensure customers are satisfied with all aspects of service provided -- quality of products/services, delivery, price and conduct of business.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Customer satisfaction approval rating	87%	91%	92%	92%	92%
			View Explanation		
<hr/>					
View Definition and Validation					
Percent change in total sales dollars from prior year	72%	20%	31%	20%	10%
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View Definition and Validation					
Percentage change in total number of customers serviced from prior year	1%	7%	14%	10%	9%
		View Explanation			
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Performance Goal:

Ensure compliance with legal and regulatory requirements.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
No management control deficiencies identified as defined in Circular A-123 and reporting requirements referenced therein	0	0	0	0	0

Performance Goal:

Ensure competitiveness.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
100% voluntary program participation	100%	100%	100%	100%	100%

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Performance Measure

Total revenue equals or exceeds total expenses for each franchise operation for each fiscal year

Definition and Validation

Definition: This is a profitability measure. It reflects whether franchise operations' revenue exceed or are equal to expenses to provide self-sustaining operations. Revenues is defined as the inflow of assets received in exchange for products or services provided to customers. Expenses represent costs for benefits already derived in the current fiscal period, such as cost of goods sold (i.e., costs which can be easily matched with products or services sold in a specific period) or period costs (i.e., administrative costs) which cannot be easily matched with the products or services sold in a specific fiscal period. The measure is important because it is required under the charter from Congress that franchise operations are self-sustaining. The measure is simply subtraction of total expenses from total revenues for each franchise operation.

Verification and Validation: All revenues and expenses are subject to an annual external audit of each the franchise operations' statements. The Managing Director of the Franchise Fund reviews sample data quarterly. All franchise operations provide quarterly financial data for internal review. Each franchise operation currently is responsible for maintaining its own accounting and finance data within its own accounting system. Each operation provides the Bureau of Public Debt (BPD) with its accounting and finance data. BPD consolidates all accounting and finance data from the franchise operations for some internal, and all external, reporting purposes.

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Performance Measure

Current ratio (current assets divided by current liabilities)

Definition and Validation

Definition: This ratio represents the number of times current assets will pay current liabilities. Current assets are assets that can be easily converted to cash in one operating cycle (i.e., typically one fiscal year.) Current liabilities are obligations that are due within one year or less (i.e., accounts payable, expenses incurred but unpaid and other debts due within one year.) The importance of this ratio is that it shows how much cash an organization is likely to come up with in dire times based upon "a snapshot in time." Current Assets and Current Liabilities are categories that are included as balance sheet (Statement of Assets, Liabilities, and Equity) items.

Verification and Validation: As balance sheet items, Current Assets and Current Liabilities are subject to an annual external audit of each of the franchise operations' financial statements. The Managing Director of the Franchise Fund reviews sample data quarterly. All franchise operations provide quarterly financial data for internal review. Each franchise operation currently is responsible for maintaining its own accounting and finance data within its own accounting system. Each operation provides the Bureau of Public Debt (BPD) with its accounting and finance data. BPD consolidates all accounting and finance data from the franchise operations for some internal, and all external, reporting purposes.

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Performance Measure

Unqualified Annual Financial Statement audit opinion from independent external auditors

Definition and Validation

Definition: This measure indicates that external auditors have provided an opinion on the reasonable assurance about whether the financial statements are free of material misstatement. The review includes examining on a test basis:

- a. Evidence supporting the amounts and disclosures in the financial statements;
- b. Assessing the accounting principles used and significant estimates made by management; and
- c. Evaluating the overall financial statement.

The importance of receiving and unqualified financial audit opinion is that it provides confidence for decision-makers who rely on the financial statements and who must confidence that the information is reliable, relevant, and understandable.

Verification and Validation: Financial statements are subject to an annual external audit. The audit incorporates each of the franchise operations' financial statements. The Managing Director of the Franchise Fund reviews sample data quarterly. All franchise operations provide quarterly financial data for internal review. Each franchise operation currently is responsible for maintaining its own accounting and finance data within its own accounting system. Each operation provides the Bureau of Public Debt (BPD) with its accounting and finance data. BPD consolidates all accounting and finance data from the franchise operations for some internal, and all external, reporting purposes.

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Performance Measure

Customer satisfaction approval rating

Definition and Validation

Definition: This measure indicates an objective level of customer satisfaction. The Franchise Fund performs several types of survey methods depending on the type of business. A) Training Services: The Franchise Fund uses Student Evaluations. Each student for each class prepares an evaluation by rating elements of training on a 1 to 5 scale (The score is totaled as a simple average); B) Products and Services: 1) Annually, formal questionnaires are sent to customers on product/service quality, cost, performance; 2) Periodically, User Group Meetings are conducted to determine user issues and needs; 3) Customer visits are performed monthly; and 4) Immediate Service/Product follow-up calls are performed daily/weekly. Management also review the increase or decrease in customer base. While customer surveys may identify red flags, in this business environment, the increase or decrease in the number of customers and the increase or decrease in the amount of business that each customer provides may be the Fund's greatest indicator of customer satisfaction.

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Performance Measure

Percent change in total sales dollars from prior year

Definition and Validation

Definition: This measure is calculated by using sales dollars (current year)/sales dollars (prior year). It indicates the growth or decline in the amount of sales dollars year over year. In conjunction with knowing whether or not we are gaining or losing customers, we need to know if we are increasing or decreasing sales dollars. The importance of this measure is to evaluate sales dollar increases or decreases.

Verification and Validation: Customer sales dollars are typically gathered by the individual franchise organizations. However, this data can be verified based on the information provided in the accounts receivables system at the Bureau of Public Debt. The Managing Director of the Franchise Fund reviews sample data quarterly. All franchise operations provide quarterly financial data for internal review.

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Performance Measure

Percentage change in total number of customers serviced from prior year

Definition and Validation

Definition: This measure is calculated by using customers serviced (current year)/customers serviced (prior year). It indicates the growth or decline in customer count year over year. The importance of this measure is to evaluate customer count increases or decreases.

Verification and Validation: Customer counts are typically gathered by the individual franchise organizations. However, this data can be verified based on the information provided in the accounts receivables system at the Bureau of Public Debt. The Managing Director of the Franchise fund reviews sample data quarterly. All franchise operations provide quarterly financial data for internal review.

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Performance Measure

No management control deficiencies identified as defined in Circular A-123 and reporting requirements referenced therein

Definition and Validation

Definition: Management controls, as defined in Circular A-123, are the organization, policies, and procedures used by agencies to reasonably ensure that: (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected against waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported and used for decision making.

Verification and Validation: Various methodologies are used to determine if the management control systems as set forth by Section 2 of the Financial Managers' Financial Integrity Act & Federal Financial Management Improvement Act (FMFIA and the FFMA) are in overall compliance with standards prescribed by the Comptroller General of the United States and guidelines issues by the Office of Management and Budget (OMB). Each business activity performs an annual evaluation of its processes and procedures as well as its internal systems. The Administrative Resource Center (ARC), the fund's primary accounting, procurement and personnel service provider, is part of the Bureau of the Public Debt's (BPD) Management Control Plan and therefore undergoes periodic reviews. BPD also has an annual audit of its mainframe computer system.

Fund management periodically visits the businesses and reviews the controls established over the workflow. Also, each

business is included in a 4-year site visit schedule. This ensures detailed audit scrutiny of at least three businesses each year.

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Performance Measure

100% voluntary program participation

Definition and Validation

Definition: This measure indicates the commitment of the Fund to assure that customer are free to exit agreements made with the Fund. All reimbursable agreements have customer exit clauses included. The Business Activities of the Treasury Franchise Fund provide common administrative services (internally and externally to Treasury and other agencies) on a total voluntary basis. There are no mandatory requirements for any customer to use the services of the Franchise Businesses.

Verification and Validation: Reports of violations. To date, there have been none.

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Performance Measure: Current ratio (current assets divided by current liabilities)

Explanation:FY2001

Although a 1.3 current ratio under the target of 1.5, the result of 1.3 is very good. The reason the target was not met is because assets were not as great as anticipated during FY 2001. For FY 2002, the Fund's assets are expected to increase at a greater rate than liabilities and further improvement in the current ratio trend should be realized.

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Performance Measure: Customer satisfaction approval rating

Explanation:FY2001

The target for the Franchise Fund Customer Satisfaction Approval Rating in FY 2001 was 93% compared to actual results of 92%. The Fund uses various measures to determine the overall rating including ongoing management service reviews, contract reviews, and surveys. The analysis of the results indicates that the Fund can improve in the area of customer billing and invoice reconciliation. Steps are currently being taken to improve which should result in increased customer satisfaction.

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Performance Measure: Current ratio (current assets divided by current liabilities)

Explanation:FY2000

Explanation not provided.

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Performance Measure: Percentage change in total number of customers serviced from prior year

Explanation:FY2000

The franchise fund's growth of 7% reflects a net figure for all eleven businesses that are operating within the fund. For the majority of these businesses, an increase in customer growth was achieved that exceeded 10%. However, one business activity has a significant decrease in its customer base due to a planned termination of providing services to state and local entities. Factoring in this impact, the goal for the fund as a whole was not met. In FY 2001, the same efforts will be continued with the anticipation that our goal will be achieved.

